The MORTGAGE BANKER

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Cincinnati Convention, 1946

Some observations from the editor's notebook about what many said was one of our most interesting meetings

CINCINNATI, 1946, wasn't our biggest convention in point of numbers—although, in some respects, it may have seemed so—but it was apparently the largest yet held from the standpoint of out-of-town attendance. Registration hit 1080 which has been exceeded twice in the past decade when we met in Chicago where we have a much larger local registration to draw from. Attendance at MBA conventions—and postwar conferences as we called several of them—for the past decade have run like this:

1936— 595 at Memphis.
1937— 735 at Cleveland.
1938—1217 at Chicago
1939— 808 at Detroit.
1940—1101 at Chicago.
1941— 770 at New York.
1942— 608 at Chicago.
1943— 695 at Chicago.
1944— 969 at Chicago.
1945— 940 at New York.
1946—1080 at Cincinnati.

But size means little; the big point is: what did you get out of it and was it a good convention? As far as we have been able to determine, the answer is "yes." The great number of favorable comments about the meeting was surprising; it left the officers with no other alternative but to conclude that members liked it as well as any convention or clinic they have attended in the past.

Especially praised was the group of speakers who appeared on the program. A great many expressed themselves as believing that no more important group of men has appeared on a program before. What impressed others was the importance of what our speakers had to say. The addresses of Thomas I. Parkinson of The Equitable, Charles F. Williams of Western and Southern, Prof. Raymond Rodgers of New York University, Frank C. Rathje, former president of ABA, former Gov. John W. Bricker of Ohio, Dr. E. L. Butz of Purdue University and James L. Dougherty of the RFC Mortgage Company—to mention only a few—represented really important public statements on matters that have a vital meaning for everyone in the mortgage business today.

Attendance at the sessions is always a basic indicator as to how the meeting is going although it is by no means conclusive, especially at MBA meetings. Regardless of what sort of program is arranged, members will always devote considerable convention time to renewing acquaintances, contacting their investment outlets, etc. That is expected; and at Cincinnati some of our general sessions were somewhat slow in getting started because of small attendance at the beginning. All in all, however, attendance was good indicating that members were interested in hearing what the speakers had to say.

Practically every state in the union was represented at the Convention where we were housed in 11 different hotels not including those who were "with friends." Cincinnati and Chicago vied for the largest delegations with each running around 75. A few others were:

Cleveland	51
Detroit	43
New York	40
Minneapolis	32
St. Louis	31
Nashville	22
Dallas	20
Philadelphia	20
Houston	18
Kansas City	15

Thus without the local Cincinnati group, we had more than a thousand out-of-town people for our 33rd annual Convention—a fact which a number of MBA board members were quick to note is something to think about in planning future conventions. It isn't easy any time, particularly during these abnormal times, to set up a meeting for a thousand out-of-town people. That's especially true for MBA meetings because of the extremely heavy demand for the best hotel accommodations, such as suites. At Cincinnati, for instance, available suites could only satisfy a very small proportion of the demand and

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SPECIAL CONVENTION ISSUE

. . . including thumb-nail digests of what was said and done at MBA's 33d annual meeting.

WHAT THEY SAID IN CINCINNATI

Time Here for Return to Old Fundamentals President Kanaley Tells the Convention

A RETURN to the old fundamentals of life is sorely needed in this country for a revival of the best in our national character, **President Byron V. Kanaley** told our members in his address opening the first general session.

"This convention was begun with prayer, seeking divine guidance for our hearts, our minds and our actions in these our labors of these three days. And it may be that for all we see about us in the world at large, that prayer may be the answer. We have tried shibboleths and nostrums and isms and philosophies and bread and circuses, and observe the mess we are in, and apparently no end to it. It may be that the time has at long last come for the old fundamentals .

"I shall repeat what I said on an occasion a few months ago, that never have we looked out on so sorry a world, war and alarms of war, nation against nation, class against class, capital against labor and labor against capital, neighbor against neighbor, the poor against the rich. And it may be that in answer to prayer from all, regardless of creed, or lack of creed, for prayer may be in the heart if not on the lips, that He who rules over all may one day turn over this topsy turvy world with man's feet planted firmly upon the earth and his face once more toward the stars. And when that day shall come, it will surely come, in part, through the efforts of the business men and women of America who incorporate in their daily lives, and make it a living thing, the realization of the personal dignity of man and his eternal destiny."

President Kanaley reviewed MBA's progress during the past year and said that our membership had now reached the highest point in its history.

Present Cheap Money Policy Is a Delusion Is View of Thomas I. Parkinson

TWO of the most notable addresses of not only our convention but of any given anywhere this year, were those of **Thomas I. Parkinson,** president of The Equitable Life Assurance Society of the United States, and **Charles F. Williams,** president of the Western & Southern Life Insurance Company. Both men are among the most distinguished figures in the insurance world and both are known for their strong views on questions of the day. Both are equally well-known for their determination to speak frankly and honestly on these questions.

Both deplored the artificial cheap money policy of the present time. Both pleaded for a return to a sane and normal economy.

The time has come for a demobilization of our vast supply of war-time money—and a demobilization of powers granted the executive department and the central government in Washington as well, Mr. Parkinson said. He declared the over-supply of money created by the war emergency is the chief cause of our principal economic disturbance today.

"The American people are being fooled again by the government's cheap money policy. They are being misled in thinking that this policy helps them. Why pay 3 per cent for mortgage money when your house costs you twice as much?"

Parkinson recommended an immediate cut in governmental expenditures and said one way that the over-supply of money could be reduced would be to force banks to liquidate some of the bonds they hold and have them purchased by non-banking institutions—but added that he didn't know what non-banking institutions would buy them at the prices the banks paid. Some short-term issues ought to be refunded into longer term issues.

We have this huge over-supply of wartime money—which he set at $170 billion today as against $60 billion in 1939—because we largely financed the war through banks.

"We did not do a good job of selling bonds to the people during the war," he said. "The chief cause of the pressure on prices upward and the general economic disturbance we are experiencing today is due to this policy of financing through banks."

Today we are faced with a serious problem "that results from some foolish smart-aleck idea not to pay more than 2½ per cent on government bonds."

Discussing the housing problem, Parkinson said that while the demand for housing seems almost unlimited, the many programs that have been offered haven't worked.

"The cause can be found in public policies. Every man in public life seems to have a housing program but so far these programs have produced little housing. About all the millions of returning veterans are being offered is a chance to buy existing housing at excessive prices." He told our members that they ought to make these public policies regarding housing their own business.

Turning to the recent civil action instituted in New York by the anti-trust division of the Attorney General's office, Parkinson was sharply critical of the entire affair. He told how the Mortgage Conference was set up in 1933 by the savings banks, life insurance companies and banks at the suggestion of the New York State Banking Commissioner to clear information among themselves. These institutions have large holdings of mortgage and housing investments.

Now they are charged with conspiring to fix interest rates, set uniform terms for mortgage loans and agreeing on uniform appraisals of property—all of which Parkinson termed unjust.

He said it was "unbelievable that responsible government officials would bring such charges."

"The government in Washington has become so big that often irresponsible subordinates get away with murder before the top officials know what is going on," he said.

In his address, Mr. Williams said that if we are to maintain our American way of life, our pride in independence and security, we must make it attractive and financially remunerative for everyone to save and create their own independence and you can't do that by rates that pay only 1 or 2 per cent on savings.

Continuing, Mr. Williams declared that you can't do it "by socialized credit, catering to the idle, profligate and non-worker as against the worker, small business man and rugged individualism.

"This country must be provided with funds for building and expansion. The insurance companies, by the very nature of their business, will always have funds for such investments if they possess the attractive features necessary.

"We have, as a nation, progressed more rapidly because we have continually expanded through constructive borrowing. As long as the source of funds does not dry up, we will continue to do so."

Mr. Williams said the government has become heavily interested in private business and "is now a controlling partner in a great many lines. I do not want a partner who, through guarantees and subsidies, might make it impossible to operate to the best interests of the business. The decision of the Supreme Court holding life insurance to be interstate commerce gives the government the right to supervise and control life insurance as it does railroads and utilities. This means that the government can practically order what investments should be made and how to conduct our business.

"We as business men are becoming weak. We rely too much upon various federal agencies to help us run our business. We can sell our mortgage loans easier and at more profit when they are approved and guaranteed by FHA and other agencies. Judgment is transferred from you to an agency.

"We grant that FHA did a good job during the emergency of the thirties and has lifted the standards of construction of the small home; nevertheless, it is not the American way to pass all risk to the taxpayer. Such is the beginning of socialization in the field of mortgage finance. Governments of other countries are nationalizing insurance, banks and financial institutions and we are leaning that way. Let's get back to first principles, back to private ownership, back to our own resources.

"As we survey world conditions, it appears that in most of the countries of the world, the economic struggle is between socialism and communism. Orthodox capitalism, as we have known it, has been, to a large extent, liquidated by the war and the struggle for recovery. Only in the United States have the major forces of capitalism been able to maintain themselves."

Foley Sees No Return to Pre-war Costs

AS IS natural, FHA was much in the minds of the more than a thousand who attended the Convention. FHA approved mortgagees had an opportunity to hear **Commissioner Raymond M. Foley** speak informally Sunday afternoon before the Convention opening (*See page* 15). Then at the first morning session he made his formal address.

That the veterans housing program is going to succeed, despite all the difficulties in the way, was the belief expressed by Commissioner Foley.

"And when the program is completed, we will have made much progress in a better coordination of all segments of the far-flung, too-loosely-knit building industry, a greater use of modern techniques and new materials and will have made it possible to apply greater efficiency and reduce waste to the end that we may attain our objective in private enterprise—namely, better housing

Guy T. O. Hollyday Takes Over as 1946-47 President

The new administration of President Guy T. O. Hollyday of Baltimore is now under way.

Mr. Hollyday, president of the Title Guarantee and Trust Company of Baltimore, was elected president Wednesday morning, to succeed Byron V. Kanaley of Chicago. John C. Thompson, president of the New Jersey Realty Company of Newark, was elected vice president.

As announced in our October issue, new regional vice presidents for the twelve districts are Wallace W. True, New York; James W. Rouse, Baltimore; Brown Whatley, Jacksonville, Fla.; John R. Moynahan, Indianapolis; O. G. Gresham, Birmingham; Harry A. Fischer, Chicago; Hubert A. Haeussler, Detroit; Fred H. Quiner, Des Moines; H. B. Moffitt, Oklahoma City; R. D. Buck Walton, Houston; John M. Marble, Los Angeles; and Kenneth J. Morford, Seattle.

Neel Says WET-Type Bill May Be Offered

Mortgage bankers and real estate men face a big challenge during the coming year when it seems almost certain some general housing bill, such as the Wagner-Ellender-Taft bill of the last session of congress, will be introduced, **Samuel E. Neel**, Washington counsel of MBA, said in his address.

"The Wagner-Ellender-Taft bill was a government attempt to approach a solution to some of the many problems which confront the housing industry today. These problems demand answers and they will be answered in one way or the other. If private industry does not suggest methods for their solution, including appropriate legislation, the government will surely do it."

Neel cited the principal objectives embodied in the Wagner-Ellender-Taft legislation, which failed to pass both houses of congress in the last session, as federal aid for expanded slum clearance, urban redevelopment, low-cost housing for low-income groups, reorganization of federal housing agencies, liberalization of FHA and setting up research and statistical programs on the needs and markets for new housing.

for the great masses of the people at prices and on terms they can afford."

To those who seek a substantial reduction in the cost of housing, Foley had little comfort, declaring that "at no time have we believed that the cost of housing would go back to the level of pre-war. We have contended that the industry must find means to bring the cost of housing, as measured in terms of the average income and ability to pay, within the reach of moderate-income families without undue sacrifice in other directions."

But he said he didn't think that reducing interest rates and making mortgages for longer terms would help much.

"We have not departed from our belief that reduction of interest rates and lengthening mortgage terms cannot be a substitute for reducing the cost of housing by more efficient methods, new materials and techniques and elimination of unnecessarily restrictive practices—whether they be in management, merchandising, labor or government."

He admitted that present FHA procedure and regulations have not been successful in reducing home building costs any but said he believed that they had retarded some increases.

He charged that those who say FHA refuses to be "realistic" about present costs in approving mortgages for FHA insurance are wrong.

"Our offices are instructed to reflect all really necessary costs in their cost-indices and in prices approved. In most parts of the country we have approved increases."

G. I. Loans Seen as Attractive Investments Program's Initial Confusion Disappearing

FOLLOWING Mr. Foley's well-received address, members heard a symposium discussion on G. I. and FHA financing. As was the case with Mr. Foley, one of the speakers, **A. H. Cadwallader, Jr.** of San Antonio, president of the Texas Mortgage Bankers Association and of the Mortgage Investment Corporation, had also spoken on the automatic guarantee matter at the Sunday afternoon session.

One of the participants, **Percy Wilson** of Chicago, was unable to appear because of a sudden illness. His paper was read by **W. C. Warman**, vice president of Percy Wilson Mortgage and Finance Corporation.

It is unfair to attempt a digest of any of these talks. Each must be read in their entirety to fully appreciate the thinking which the speakers put into them—and members will read them in full in the forthcoming MBA YEAR BOOK for 1946. Only a few general conclusions will be given here.

More widespread home ownership was held out as the best insurance against subversive attacks on the American system of government, Mr. Wilson said.

"Home ownership is the crux of our national institution and upon its development, and upon private enterprise, depends our ability to withstand subversive attack on our form of government from without and from within. Our way of life depends upon the construction of homes and the type of citizenship, thrift and responsibility that is nourished by home ownership."

Wilson said he had full confidence that the long-term monthly amortization mortgage plan would continue to be a highly important factor in the future promotion of home ownership. He paid high tribute to what the National Housing Act and the Federal Housing Administration have done in the past for the building and financing industries.

The G. I. loan will prove to be an excellent investment for institutional investor, **Hubert R. Haeussler**, president of the General Discount Corporation of Detroit, told members.

"A G. I. loan with a reasonable equity and other relative factors such as location, responsibility of mortgagor and ratio of loan to value being present, will be found an excellent investment for institutional investors."

Mr. Haeussler recalled that when the FHA interest rate dropped from 5 to 4½ per cent several years ago, many large institutional investors refused to consider these loans with the result that it became necessary for various government agencies to buy them. Later, he said, many of these same institutions were willing "to pay a handsome premium for the same loans."

Discussing the building and housing situation today, Haeussler said that the builder's problems are the mortgage man's problems, and called attention to the fact that lenders are forced to extend more flexible credit terms to builders than in the past. Builders need more ready cash than ever before because "when a supply company has a new shipment of soil pipe, rock lath, hardwood flooring or other critical material he will deal with the builder who has cash on the line."

Now that the mortgage banking industry of the country is operating in a predominant G. I. market, its responsibility to the borrower and investor has never been so great, Mr. Cadwallader said.

"And this responsibility, by and large, is being seriously assumed. Much of the original confusion incident to G. I. lending has disappeared. Veterans are getting action if they can find something to buy. When they do, the protection afforded them is as adequate, in most cases, as it could be under prevailing circumstances.

"The builders who are trying to produce housing for veterans at a price the G. I. can afford to pay and at a cost which will not be disasterous to themselves and still do so under the law of the land as handed down from Washington, are still in a mess. The outlook seems not too promising."

VA's Loan Program Hits Fast Stride

MBA was fortunate in Gen. Bradley's selection of a VA representative to send to the Convention. He was **F. W. Kelsey**, assistant administrator of finance.

Drastic curtailment of non-housing construction will greatly help the veteran home-building program, Mr. Kelsey said.

"The number of building 'starts' is offset by too many 'stops'," he added. Mr. Kelsey reviewed the VA program and said that so far it has been successful. About 15,000 loans are being guaranteed or insured every week

and so far losses have been negligible.

"We have been called upon to pay only 210 claims as of the first of September for a total of $220,000 of which $38,000 was refunded with a net cost to the government of about $182,000.

"About 83 per cent of the claims paid resulted from business loans, 12 per cent from home loans and 5 per cent from farm loans. The majority resulted from circumstances which indicate that the loan should not have been made in the first place.

"We must not look complacently on this small number of defaults for we recognize that a sudden change in economic conditions will produce a trying situation."

Kelsey warned that many veterans are seeking shelter "without too much thought of 'reasonable value' and expose themselves as prey to those unscrupulous enough to take advantage of their plight. Every veteran who decides to buy a home in the current market should seek the counsel of reputable builders and lenders before binding himself to a contract.

"The greatest problem in the loan program is in respect to 'reasonable value.' It is known that shady practices exist in some places, some of which we can guard against, but they are often concealed from both the lender and the Veterans Administration and must be resisted by the veteran himself."

Mr. Kelsey praised the recent statement of Guy T. O. Hollyday, incoming MBA president, who declared that a collapse in real estate values with serious trouble for lenders might develop unless restraint in making G. I. loans is used. He said he hoped Hollyday's warning would be repeated all over the country because it was most timely today.

Gunnison Says Cut House Sales Time

ONE thing wrong with the home building industry that will have to be corrected is the long period of time necessary to sell a house, **Foster Gunnison,** president of Gunnison Homes, Inc., prefabricated house manufacturing subsidiary of U. S. Steel Corporation, told members at the same session.

"In few fields of endeavor is the selling and buying process so wasteful of both time and money as in the selling and buying of a home," he said.

Gunnison told the mortgage bankers that in his own company this is being corrected by allowing only one hour's time for selling a Gunnison prefabricated home.

"Prices are mainly lowered through increased volume. To get increased volume, the selling and buying processes must be speeded up so that the consumer can buy more and more products, not only within the limitations of the family budget, but also within the limitations of the time the family can devote to shopping each day.

"Industry must make a more scientific approach to selling and buying. In the new-day science of selling, public relations, advertising, market analysis, and consumer research must all be more carefully integrated and aimed directly at the point of contact between the salesman and his customer, so that the sale and purchase may be quick and easy."

Gunnison urged further development of the "packaged mortgage loan" as a streamlined tool in modern home financing.

House Shortage Is Not What Claimed

"GOVERNMENT statistics and propaganda are continually rigged to support the housing program federal officials are trying to put over," **Seward H. Mott,** executive director of the Urban Land Institute, declared in his address.

"The present shortage is an urban problem not a rural one," he declared. "In 1940, although only 56 per cent of the population lived in the city, over 59 per cent of the occupied dwelling units in the nation were located there. This difference is chiefly due to smaller city

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G. Calvert Bowie New Legion Head

G. Calvert Bowie of Washington, D. C., was elected Grand Marshal of the Mortgage Bankers Legion to succeed G. H. Galbreath of Tulsa. Joseph M. Miller of New Orleans was elected secretary to succeed Mr. Bowie. Legion membership consists of members who have served a term on the MBA board of governors and is an honorary organization.

Each year the Legion is empowered to select one MBA member for honorary life membership. This year the selection was R. S. Beachy of Kansas City, Mo. who becomes our fourth honorary life member. The others are Edwin Chamberlain, San Antonio, Texas; Louis K. Boysen, Chicago; and O. M. Corwin, Minneapolis. Mr. Corwin was prominent in the organization of the Association 33 years ago and served as president during its early days. He attended the Cincinnati Convention.

A. A. Zinn of Indianapolis, a past president of MBA, made the presentation to Mr. Beachy at the annual meeting of the Legion Saturday night before the opening of the convention. He told of his long association with and close friendship for Mr. Beachy and said that on two occasions in past years Mr. Beachy had been offered the MBA presidency but was unable to accept. He said that Mr. Beachy, who is a former board member had made great contributions to MBA's growth and told how he had interested Byron T. Shutz of Kansas City in the Association. Mr. Shutz later became president, originated our Clinic program and turned in an excellent record of progress for the organization. All of these things, Mr. Zinn added, make it particularly gratifying that the fourth honorary member of MBA should be the man named this year.

Two new Legion members were named this year, George H. Dovenmuehle of Chicago and John H. Scott of Pittsburgh.

households. In 1945, the percentage of urban-occupied dwellings had increased to an estimated 63 per cent of the total. The migration to the city which this indicates is expected to level off. We can assume that from now on 65 per cent of the families in the United States will be housed in the cities.

"For the next 25 years an average annual production of between 500,000 and 650,000 units a year would not only adequately take care of the increase in urban families but would provide for the complete replacement of all urban dwelling units reaching a maturity of fifty years. A speed-up in production to a million units a year for the next two years to relieve the accumulated pressure is no doubt desirable but the long-range annual production needed would still remain much below this figure.

"The present home building industry can easily produce this quantity. It has in the past. We have grave doubts as to the wisdom and soundness of the present long-range housing program with a production of at least 1½ million new units a year. The evidence seems clear that the need is much less than government officials estimate; and if their program of greatly stimulating new building industries is carried out, it can only result in the loss of huge sums of public money and the disruption of the entire home building industry."

Mott charged that "after the war ended in August 1945, it took the government three months to wake up to the fact that there was a housing shortage. A principal reason for the slow-up in construction is the government's unfair and unrealistic federal policy on rent control. Wages and materials have been permitted to rise 50 per cent but rents have been held to an increase of 4 per cent. The reasons for this situation are largely political. There are few veterans who are landlords, but there is a tremendous number who now rent or want to rent. The administration is anxious to appease the G.I.'s, so until the election at least, landlords will carry their properties at a loss or sell them at high prices in this scarcity market.

"The result of this short-sighted policy in holding down rents below an economic return is that the builders and financial institutions who had planned to construct large rental projects have abandoned the idea. Organized owners of rental property are asking for a raise of only 15 per cent and, if such a conservative increase were granted, there is no question that literally thousands of rental units would be started by the end of the year.

"For the veteran, the real need is rental housing. The present government policy is forcing these boys to buy in the current high market and saddle themselves with a loan they must pay off in the next twenty years. It is a vicious circle, but there is no question that it is better for the veterans to pay higher rents for a few years than to pay for something they can't afford for the next two decades."

Bricker Says U. S. Voice Not Respected

"The voice of the United States is not as much respected today as it was in the days of the Tripoli pirates," former Gov. John W. Bricker of Ohio declared in his address at our annual banquet, attended by over 700 members.

"Jimmie Byrnes is doing the best he can but he is hindered by secret agreements."

Bricker, in alluding to the Wallace affair, said it was "a year and a half too late."

"We know now we can't buy good will. We must tell the world to keep its nose out of our business. We must kick out anyone and everyone who won't respect our constitution. This is a time for a re-awakening —there are forces in our midst who would take over our rights."

Turning to the national capital, Bricker said:

"If we maintain our way of life, we must return the powers now in the hands of arrogant bureaucrats to the elected representatives of the people. If liberty is to be maintained, the courts of this country must be kept free from executive control."

Explains Secondary G. I. Loan Market

ONE of the highlights of the Convention was the appearance of **James L. Dougherty**, director, RFC Mortgage Company who outlined clearly and concisely just what the G. I. secondary market means. He said the RFC Mortgage Company will buy the guaranteed G. I. loans offered to it at par and accrued interest but that it will not bid for them and hopes private investors will take them all. Mr. Dougherty said the RFC Mortgage Company is setting up this secondary market primarily as a financial service to veterans.

As outlined by Mr. Dougherty, the RFC Mortgage Company will, when final arrangements have been completed, buy all G. I. loans offered but they will buy them only from the original mortgagees. He further declared that the RFC Mortgage Company will give no commitments. While the RFC will buy these loans at par and accrued interest, it will sell them "at the market" if it decides to sell them in the future. If an insurance company later wants to buy

Personnel

MORTGAGE MAN AVAILABLE

Farm loan man with 30 years experience in appraisal, field and office work available for employment. Age 48. Now located in Middlewest but will go anywhere. Excellent background of successful experience. Now employed but broadscale change of plan of present company will make him available around Jan. 1. Write Box 123, Mortgage Bankers Association of America, 111 West Washington St., Chicago 2.

MORTGAGE MAN WANTED

Established mortgage company opening new office near Washington, D. C. Wants young man with executive capacity. Ability more important than experience. Salary plus participation. For the proper man the future is unlimited. State qualifications in detail. Write Box 124, Mortgage Bankers Association of America, 111 West Washington St., Chicago 2.

these loans purchased by RFC, it will have to pay whatever market premium prevails.

Mr. Dougherty's talk was preceded by his statement that what the home building and financing fields vitally need today is standardization of mortgage laws, forms and procedure. He declared that there may be as many as 20,000 different mortgage forms and instruments in use over the United States today and added that he could think of no greater legislative reform more badly needed today than more uniformity of forms and practices.

The RFC, when it begins to buy these G. I. loans, will demand that the mortgages be written on standard forms which the RFC Mortgage Company is now preparing. Those for a few states have just become available, forms for a few more are now on the presses and those for the remaining states of the country will be available soon.

"We don't want to be arbitrary about it but will insist that loans we buy must be on forms approved by us," he said. He added that he "guessed" that a substantial number of loans would be offered for sale to the RFC.

He admitted that the secondary market being set up is limited to the extent that only supervised lenders could offer loans for sale. And the RFC Mortgage Company won't buy G. I. farm loans, he said, because that phase of the program will have to be handled by the Farm Credit Administration.

We Are at Top of World's Greatest Boom and Real Estate Prices Are in the Lead

WE ARE riding the crest of the greatest boom the world has ever known and real estate prices lead all the rest, **Raymond Rodgers**, professor of banking at the school of commerce, accounts and finance at New York University and noted authority on real estate, told members in his talk.

"The credit and financial structure is sound but the price structure is very vulnerable. How soon we will have to come down and pay for our ride I do not know but it will not be too long.

"It is the inflation of real estate values which worries me most. Long-run real estate values are not being fixed by today's black market prices of labor and materials. It is the income of the American people which will determine the value of business property (disregarding taxes, labor costs of the business occupant, shrinking profit margins, etc.); and, it is the proportion of their income which the American people are willing to devote to housing which will determine the value of residential property. Therefore, do not be blinded by present costs."

As to the future trend of interest rates, Rodgers doesn't look for much change. "There will be a much stronger demand for mortgage money in the near future, if the boom does not collapse, but the supply of capital and credit seems more than adequate for any foreseeable demands. There may be a slight firming of the rates, but, in general, it will not amount to very much. On the supply side, the important thing to remember is our war created legacy of bank deposits and money in circulation. Today, we have some $100 billion more deposits and currency in circulation than we did before the war. This enormous holding of liquid funds is in the hands of the public—corporations and individuals—and can be invested over and over again so long as the bonds, which gave rise to the increase, remain in the banking system.

"True, the Treasury is presently engaged in reducing deposits by redeeming obligations held by the banks, and hopes to reduce deposits still further by shifting bonds from banks to non-bank hands, both of which tend to tighten interest rates. True, as a result of this new Treasury policy, rates, particularly in the money market, have firmed somewhat. True, we have undoubtedly passed the lowest point on short-term rates, and have probably passed the lowest point on long-term rates. Nevertheless, do not expect very much in the way of an increase.

"The plain fact is that the government controls the interest rate. And, while the Treasury would like to reduce deposits and thereby establish a higher rate to fight the forces of inflation, there is the little matter of a public debt of some $264 billion dollars on which interest must be paid. They have not yet figured out a way whereby they can increase other rates and, at the same time, keep down the rates on their own borrowing. So there will not be any consequential increase of rates—at least, not until the problem of a differentiated interest rate is solved —and no solution is in sight now."

Rodgers warned that if we are relying on inflation to justify some of our present property valuations we had better look again and ponder the following straws in the wind.

"Inventories at the end of July had reached the all-time record high of $30 billion, with inventories in some lines jumping as high as 20 per cent a month. Clearly, the end of the inventory boom approaches. Consider also the recent Federal Reserve Board analysis of a national survey of liquid assets made by the Department of Agriculture, which showed that 'total asset holdings of three-fourths of the people amounted to less than one-fifth of their annual income.' In other words, disregarding unemployment insurance and assistance from relatives and friends, 2.4 months of unemployment will put 75 per cent of our people on relief! Also consider the fact that in 1939, we had $39,588,000,000 in production facilities of all kinds. From July 1940 to June 1944, this was expanded by $23,505,000,000, an increase of 60%.

Real estate is no hedge against inflation, Rodgers declared and added: "The American people have just paid millions to learn that the stock market is no hedge against inflation. A great deal of real estate has been purchased with the idea that it is a hedge. When people learn better, such real estate will hang over the market. Furthermore, the greatly increased tax burden—federal, because of much higher military and civilian expenditures; and state, because of higher prices and assumption of increased social responsibilities—which we will have in the atomic armament race days ahead, will weigh heavily on real estate. The crushing character of this tax burden is not yet realized because of easy money conditions, but lenders dare not underestimate it."

In an About t Conventi

No. 1. This was MBA's 33rd convention but here's a group representing almost 85 years of conventions. Left to right: **J. J. Madden,** Lincoln National Life, Ft. Wayne, his fourth convention; **T. A. Murphy,** Ft. Wayne, who hasn't missed one since 1918; **Clyde McGee,** Reid-McGee & Co., Jackson, Miss., who has attended 21 conventions; and **Frank C. Waples,** Midland Mortgage Co., Cedar Rapids, Ia., who has made all but three MBA conventions—a record, unless we hear someone speak up to the contrary.

No. 2. Here's a group of familiar MBA faces. Left to right: **R. O. Deming, Jr.,** Oswego, Kan.; **Stanley T. Trezevant,** Memphis; **Harry C. Peiker,** New York; Past President **L. E. Mahan,** St. Louis; **G. Calvert Bowie,** Washington, D. C., new Legion Grand Marshal; and

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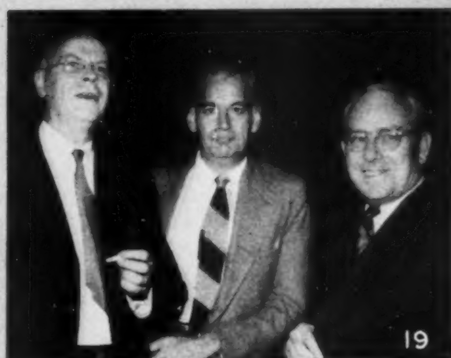


G. H. Galbreath, Tulsa, retiring Legion head.

No. 3. These gentlemen were given MBA's distinguished service awards for 1945-46. Left to right: Past President **S. M. Waters,** Minneapolis, and **Miller B. Pennell,** Cleveland, MBA general counsel since 1937.

No. 4. A heavy discussion, maybe about the automatic guarantee. Left to right: Past President **James W. Collins,** Salt Lake City; Past President **Owen M. Murray,** Dallas; **R. C. Obermann,** St. Louis; and **Allyn R. Cline,** Houston.

No. 5. Speakers table at the banquet. Standing, left to right: MBA's new president, **Guy T. O. Hollyday,** Baltimore; **Paul J. Vollmar,** Cincinnati; **C. P. Kennedy,** Cincinnati; **John C. Thompson,** Newark, MBA's new vice president. Seated, left to right: Former Gov-

(Continued on next page)

ernor **John W. Bricker** of Ohio, speaker at the banquet; President **Byron V. Kanaley**, Chicago; **James W. Collins**, toastmaster; and **O. M. Corwin**, Minneapolis, president of MBA in its early days and who played an important role in its founding.

No. 6. Probably some whispered advice here. Left to right: Past President **Byron T. Shutz**, Kansas City, may be telling President Hollyday some of the things he learned when he headed the Association.

No. 7. Out from New York and Boston for the meeting. Left to right: **William F. Joseph**, Franklin Square National Bank, and **Carl C. Mullen**, Columbia National Life Insurance Company, Boston.

No. 8. From the Middle West and two corners of the nation. Left to right: **Clyde W. Kistler**, Miami; Past President **W. Walter Williams**, Seattle, who spoke before members of the Cincinnati Kiwannis Club while attending the Convention. Verdict: A thoughtful and well-received address. Mr. and Mrs. Williams also took advantage of their attendance at the Convention to drop in on their friends, Mr. and Mrs. Paul C. Hoffman, South Bend, Ind. Mr. Hoffman, who heads Studebaker and the Committee for Economic Development, spoke at a previous MBA meeting; on the right is **C. W. Mead** of Omaha, a member of MBA's board.

No. 9. Again (left to right): Mr. Vollmar and Mr. Pennell and Past President **Herold G. Woodruff** of Detroit.

No. 10. Some boys from Philly: Left to right: **H. C. Smith**, Western Savings Fund Society; **David Bloom**, Jackson Cross Co.; and **E. L. ("Swede") Carlson**, Fidelity Mutual Life.

No. 11. Legion songfest at organization's dinner and annual meeting the Saturday evening preceding the Convention opening. Left to right you should be able to identify: **Allyn Cline**, **G. Calvert Bowie** and **Stanley H. Trezevant**. Music editor's note: A fine round of singing.

No. 12. The serious business of the Association gets attention here. Left to right: MBA Washington Counsel **Samuel E. Neel**, Washington, D. C.; President Hollyday; and **C. P. Kennedy**, Cincinnati.

No. 13. Getting ready to hear a speech. Left to right: **Hugh M. Henry**, George M. Warnecke & Co., Inc., New York; **Richard A. Kennedy**; and **Paul E. von Kuster**, president, David C. Bell Investment Company, Minneapolis.

No. 14. A Legion group making the most of the hors d'oeuvres at the organization's dinner. Left to right: **Norman H. Nelson**, St. Paul; **A. H. Seise**, Rockford, Ill; **S. M. Waters**, Minneapolis; **Clyde McGee**, Jackson, Miss.; **Joseph M. Miller**, New Orleans, who contends he'd like to entertain MBA at an annual convention; Past President **Charles A. Mullenix**, Cleveland; **Frank H. Wolff**, San Antonio, and (facing camera) **Aubrey H. Costa**, Dallas.

No. 15. A mixture of Southern members with some Yankees and a Chicagoan thrown in for good measure. Left to right: **Henry Beach**, W. B. Leedy & Co., Inc., Birmingham; **Phil Kleas**, Houston Mortgage Co., Houston; **Lindell Peterson**, Chicago Mortgage Investment Co., Chicago; **W. F. Sey**, Stern, Lauer & Co., New York; and, yes, you're right it's the same fellow, the very same Mr. Mullen of Boston from back in picture No. 7.

No. 16. Time out to find out who's here. **G. H. Galbreath**, Tulsa, who with Mrs. Galbreath, acted as host and hostess to their old friend, Gov. Bricker, pauses to look over the registration list.

MBA Resolution Calls for Probe of Veterans Housing Delay

In contrast to the procedure in most past Conventions when members voted on resolutions at the annual business meeting, members took action at the last general session on Wednesday.

They went on record as expressing concern about the serious lag in the veterans housing program and, in a resolution, called on Congress to review the whole set-up to determine causes for the delay. Declaring that the program is lagging seriously, we asked for a full study to determine what are the causes for the delay and determine methods by which the program can be speeded up.

In a resolution submitted by the resolutions committee headed by H. S. Cody of Winston-Salem, N. C., a past president of the Association and committee chairman, it was declared that the program is being "unduly retarded" and that "further delays will create extreme hardships for veterans and others."

"To determine the facts, Congress is requested to conduct an exhaustive factual survey of the entire veterans housing program, including home financing features," the resolution said.

Other members of the resolutions committee were Miller B. Pennell of Cleveland, general counsel, R. C. Houser of Miami and James W. Collins of Salt Lake City.

MBA members also voted that all possible action be taken to enable FHA approved mortgagees to secure the automatic guarantee for their G.I. loans. This followed a similar move made at the Sunday afternoon session when 350 mortgagees passed the same resolution. The vote was in the ratio of 35 to 1 for the automatic guarantee.

No action was taken on the Wagner-Ellender-Taft bill, now dead if congress is not re-convened before the first of the year, in which case new legislation will have to be introduced. Mr. Cody told the full Convention that no resolution was being presented by his committee on the 100 per loan recommendation, passed by the FHA group Sunday, because the Association wanted to make a full study among all members to accurately determine their views.

No. 17. Legion speakers table. Left to right: **R. O. Deming, Jr.**, Oswego, Kan.; **L. E. Mahan**, St. Louis; **Frank C. Waples**, Cedar Rapids, Ia.; G. H. Galbreath, Tulsa; **Stanley H. Trezevant**, Memphis; and **G. Calvert Bowie**, Washington, D. C.

No. 18. **Dean Hill** is probably telling Dan Brooks that he made a good speach, which would be the truth. Left to right: **Dean R. Hill**, MBA past president from Buffalo; **G. D. Brooks**, manager of the investment department of the National Life and Accident, Nashville; and **Lowry Watkins** of Louisville.

No. 19. Pleasant interlude. Left to right: **W. A. Clarke**, Philadelphia, who will be active in MBA's Washington committee this year; **Milton T. MacDonald**, Jersey City, N. J.; and **Wallace Moir**, Beverly Hills, who extended an official invitation to the MBA board for the Association to hold an annual meeting in Los Angeles.

No. 20. Some more familiar MBA faces. Left to right: **R. S. Beachy**, Kansas City, who was named MBA's fourth honorary lifetime member at the Convention; Past President, **Ennis E. Murrey**, Nashville; Past President **Hiram S. Cody**, Winston-Salem, N. C., who had a big job on his hands at the Convention working on those resolutions; and **Frank J. Mills**, Ft. Wayne, Ind.

No. 21. MBA's new president **Guy T. O. Hollyday** congratulates retiring president **Byron V. Kanaley**, Chicago, on the good job he did, an opinion enthusiastically shared by everyone.

No. 22. Another Chicago group: Left to right, **Harold P. Yegge**, **William Barts** and **Arthur C. Cody**. Art runs the American Institute of Real Estate Appraisers and does a good job of it.

No. 23. A greatly admired and respected member of MBA. **Mrs. Minnie W. Miller** of Salt Lake City, the Association's only woman member, and Past President **Charles A. Mullenix**, Cleveland. Without Mrs. Miller, MBA conventions wouldn't be the same.

Nixon Says Throw Off Government Shackles to End the National Housing Shortage

THE nation is suffering from a lack of new housing. Everyone must realize, too, that this absence of new construction can be charged to lack of certain critical building materials which, in turn, is caused by the bungling of federal controls and restrictions.

This was the view of **George F. Nixon** of Chicago in his address.

"I fear that until the inexperienced fumbling hands of the Washington professoriate are removed from the throttle of the orderly and well-trained machine that has, in the past, and is prepared now, to turn out the new housing we are in such dire need of, we will continue to have emergency upon emergency and the unprecedented chaos of the past year.

"Doesn't it appear that one crisis after another is deliberately created to discredit private enterprise, which has built thirty-eight million homes in America and made it the best housed nation on the planet, and to promote the ideology of socialized public housing.

"Yes, America's number one problem today *is* housing, and most emphatically it applies to the veteran who was told when he left for the battlefields that he would fight to preserve the American heritage as opposed to the foreign ideologies of the totalitarian states which gave birth to government owned socialized housing. It is glibly professed by those sponsoring and supporting the foreign ideology of socialized housing and those of us who fight for the preservation of the great American heritage of private ownership have the same objectives and that they are to be found in the multi-billion dollar Wagner-Ellender-Taft Bill. *That is most emphaticaly not true.*

"Then, too, even before the advent of the Washington Expediter with his panaceas and edicts resulting in our present day stalemate many factors have conspired to make the road to home ownership a rough one for the veteran and many interests that cry the loudest for his relief are *also* responsible to a degree for his misfortunes. Throwing aside minor difficulties the troublesome quadruplets may be laid on four door steps, namely, *city government, material manufacturers and purveyors, labor unions* and the *United States Congress.*

"The fuzzie wuzzies still have us by the ear, insisting that our national policy must continue to be Government by crises. And I can hear you ask—And what would you do about it? In heaven's name, I would advocate the same prescription which in this land has cured us of similar ailments. Strike off the shackles of planned economy, accept the pains of convalescence and let the health giving remedy of supply and demand cure our present ills, and demand the immediate ouster of the czar and regulators.

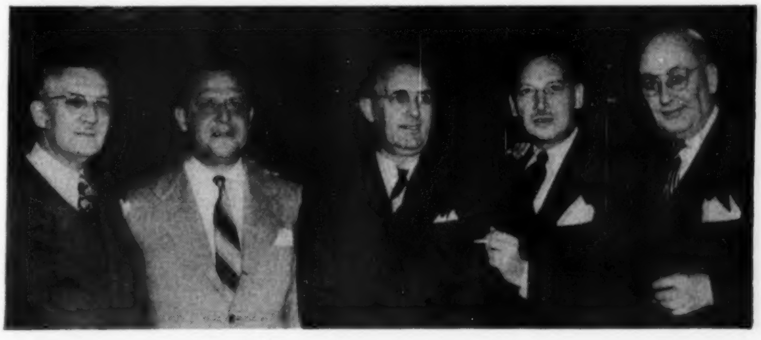
"Under normal circumstances the production and cost of housing is determined by the availability and price of men, money and materials. However, under present conditions there is a fourth devasting factor which is deterring the production of housing and driving costs up. This added factor is the *delay* now encountered in the completion of housing. These delays are not only responsible for additional interest charges, taxes and insurance, but result in additional inefficiency of labor and its make-work and feather bedding practices. FHA, for instance, cognizant of this fact, are presently adding 25% to labor costs because of inefficiency. Then, too, buildings standing idle in various stages of completion, from 3 to 10 months, have had their cost added to as a result of vandalism and thievery. This is an intolerable condition.

"I can find no profit in squinting at this situation, we must look it squarely in the eye.

"And let's be practical—let's dare to speak up! If you would relieve yourselves of the control of even the smallest business operations; if you would relieve yourselves of this ever growing burden of Federal Taxation; if you would relieve yourselves of all of the restrictions now exercised against your everyday operations—yes! and if you would relieve yourselves of this National Policy of Government by Crises—then go back to your home communities and help to send men to the House of Representatives, who will deprive these petty bureaucrats of the one thing that keeps their operations alive; namely, appropriations for their innumerable bureaus.

"There is as I see it of course another alternative—the one which proud England, where it was once said that "Every Man's Home Is His Castle" now finds itself blessed with a condition which forms a pattern which every public houser plans to impose upon the as yet free people of America.

"Think of it—in England today, only one privately owned new home is permitted to be built to four owned and controlled by the National Government —and not the least of this evil is that the entire burden of rendering public service in lieu of local taxes heretofore paid on five must be loaded on the back of a single home owner. *We had better see to it that this does not happen here while there is yet time.*"



Fellow Chicagoans greet Secretary **George H. Patterson** at Convention. Left to right: **Ralph H. Beesley, Irvin R. Schildein,** Secretary **Patterson, F. Z. Gifford** and **Cyril R. Edwardes.**

Around the Convention and Exhibit

Another convention group, left to right: **Bester P. Price, Warner G. Baird, Harry Salk, H. L. Schmitz, Leo L. Hogan, Otis L. Hubbard** and **Roy Woltz**, all of Chicago.

After giving the final speech on Tuesday afternoon **George F. Nixon**, George F. Nixon Co., is congratulated by fellow Chicagoans. Left to right: **L. C. Wolfe** and **Howard E. Green, Nixon, Sam Tavalin** and **Clifford A. McElvain.**

While looking over Exhibit of Building, Industry and Services these delegates stopped at the Kelvinator booths. Left to right: **Walter L. Cohrs** and **J. Ray Mitchell**, both of First National Bank of Chicago; **John Massimi**, Kelvinator division of Nash-Kelvinator Corp.; **M. O. McKevitt**, First National; **John T. Pain**, O'Brien & Pain, and **Norman H. Nelson**, Minnesota Mutual Life Insurance Co., St. Paul, a member of the MBA board of governors.

Cincinnati Note Book

It is a somewhat surprising fact to record but almost the heaviest applause of the Convention came at the conclusion of a talk which was scheduled merely as "welcome remarks" . . . it was that of **Mayor James Garfield Stewart** of Cincinnati . . . probably most members felt that here was a man they would be glad to listen to anytime, any place and for almost any length of time . . . as former **Governor Bricker** said at the banquet, "when you've been welcomed by Jim Stewart, you've really been welcomed . . . "

Members had high praise for the Cincinnati hotel facilities . . . especially those of the Netherland Plaza, headquarters hotel, ideally arranged and managed for a meeting such as ours. What few members know is that a young woman, Mary Hesse, director of sales—a position almost always held by a man in a hotel of that size—worked wonders to make their stay a pleasant one.

As seen from the table of **Mark V. Rinehart** of Louisville at the Beverly Hills Country Club: that young fellow the magician just lured to the stage is **L. A. McLean, Jr.** of Louisville, son of **Past President L. A. McLean** who missed the meeting and was missed . . . Remember last year in New York when a feature of the entertainment was the barber shop quartet and how **Rupert Hall** of Tulsa went on that nation-wide Hobby Lobby broadcast? . . . well, in Cincinnati Rupert told us that this quartet recently won the national competition . . . the only person we know of who visited the Kentucky clubs during the convention and left feeling *lucky* was the wife of the Michigan member who found a $5 bill on the floor of one . . .

Good to see MBA's old friend back in Convention swing, none other than **J. J. F. Steiner** of Birmingham, former board member . . . Jeff has been away doing a stretch in the army . . . Canada was again represented at the Convention this year with **G. L.**

(Continued on page 16)

The MORTGAGE BANKER

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MORTGAGE BANKERS ASSOCIATION OF AMERICA

Guy T. O. Hollyday, *President* · John C. Thompson, *Vice President* · George H. Patterson, *Secretary-Treasurer* · Miller B. Pennell, *General Counsel* · G. H. Knott, *Editor*

Washington Office: Chandler Bldg. Samuel E. Neel, Washington Counsel

NOVEMBER, 1946

WET Bill Won't Help Solve Housing Crisis Says Former ABA Head Frank C. Rathje

PASSAGE of the Wagner-Ellender-Taft bill is not necessary to the success of the veterans housing program and the lack of conspicuous progress of the Wyatt program has been due, in the main, to shortages of materials and labor and the hazards of entering into construction of housing at a time when costs are rising rapidly, **Frank C. Rathje**, retiring president of ABA and president of the Chicago City Bank and Trust Company, told our members.

"The major proposals the bill embodies would not in any way solve the existing shortages in housing. On the contrary, it provides additional inflationary credit expansion in a market in which there is ample mortgage money available," he said.

"The Wagner-Ellender-Taft bill, which is alleged to be a permanent housing program, contains many serious defects. In this period, when loan to value ratios should be carefully weighed, when the length of the maturity period should be reduced, and when credit expansion in real estate mortgages need no stimulus, this bill violates every sound principle of mortgage financing.

"It provides for FHA insurance of a mortgage bearing a ratio of 95 per cent to appraised value, maturity extended to 32 years and the interest rate reduced to 4 per cent. It was said on the floor of the senate that it involves a potential mortgage structure of 60 to 80 billion dollars. This constitutes a stimulation of credit expansion at a time when several agencies of the government are requesting additional powers to restrict credit expansion.

"It does not require a prophet to suggest the destiny of a government-stimulated mortgage structure in the next 10 years, that may be four times as great as the increases which took place in the 20's. To do the best we can with what we have, is much to be preferred over an unsound expansion which will return us to the fateful days of the 30's.

Turning to the present mortgage market, Mr. Rathje declared that it is hazardous business to formulate policies based on present income of borrowers.

"All originators of mortgage credit should be as interested in a sound pattern as well as those institutions who hold the mortgage to maturity. At the present time, employment and income is high. It would be hazardous to formulate repayment schedules only on the basis of present income and earnings. The required amount of payment of interest, and the repayment of principal, should take into consideration, possible declines in the volume of employment and income.

"The ratio of loan to value should be reduced to reflect the greater uncertainty attached to present appraised values. Likewise, rather than extending the maturity date of the mortgage, the ultimate maturity should be decreased under present inflated conditions. Amortization payments should be accelerated rather than extended. This, for the good of the borrower and lender alike.

"In view of the rapidly changing developments in the economy, one cannot be certain what trends will emerge.

"Present market values and current costs are higher than levels which history has demonstrated to be stable, long term values. Because of these increased uncertainties, standards of sound mortgage lending should not be relaxed, but rather strengthened. Reserves should be created against which a reversal of trends can be cushioned.

"It is apparent that in the minds of many, including men in government, there is a belief that an expansion in credit facilities alone will build the necessary homes.

"As a matter of fact, there is already much more credit available for the purpose of mortgage financing, based on existing legislation, than can be absorbed in the building of a reasonable number of homes.

(Continued next page)

News About Other ASSOCIATIONS

Frank A. Weber, president, Mortgage Bankers Association of New Jersey, announced that MBA President **Guy T. O. Hollyday** and **Samuel E. Neel**, Washington counsel, will address the organization at the November 7th meeting at the Essex House, Newark . . . President Hollyday is expected to address the annual meeting of the Detroit Mortgage Bankers Association December 19.

Nearly 80 members of the **St. Louis Mortgage Bankers Association** heard **Samuel E. Neel**, MBA Washington counsel, speak on capital affairs the Thursday before the Convention opening . . . a few days before, members of the **Philadelphia Mortgage Bankers Association** had Mr. Neel as their principal speaker . . . **William W. Tanney**, banker and expert appraiser of many years experience, addressed the **Detroit Mortgage Bankers Association** on appraising for mortgage loan purposes at this organization's recent meeting . . . and at the recent meeting of the **Kansas City Mortgage Bankers** group, **Dr. T. Bruce Robb**, of the Federal Reserve Bank in that city, spoke on the money market. **Malcolm Bliss** presided.

True Deplores "Ruinous Competition" to Get Loans; Brooks Warns of "War Babies"

LAST general session was devoted to matters of practical interest to the working mortgage banker. Here again it would be unfair to attempt a digest of the three addresses at this session because each should be read in full to get their real value. Complete texts will be in the annual YEAR BOOK. A few general statements from them will help fill out this issue, however.

MORTGAGE bankers who are endeavoring to place long-term values on commercial real estate should not rely too heavily on the periodic changes which have taken place in the money market, **Wallace True** told members.

"We should try to recognize and evaluate the long-term money market rather than the money market which may exist at any one time," he said. Mr. True recently resigned as president of Ivor B. Clark, Inc., to become vice president of Lincoln Savings Bank in Brooklyn in charge of new mortgage loans. He has been a trustee of the institution.

"While it is true that a few chain store properties under long-term leases, with good credits, and containing an inflationary hedge in the form of a percentage lease, can be sold today on an over-all rate of about 4½ per cent free and clear, it must be remembered that, to some extent, we have been responsible for this condition by some of the ridiculous loans we have made on these properties—ridiculous in both rate of interest and amortization. The laws regarding bankruptcy and reorganization involving the voiding of leases make it difficult to justify this low over-all rate."

True said that many mortgage bankers were "again engaging in ruinous competitive practices in an effort to get the accumulated savings of the country employed. Unless our valuation procedures are sound and our lending and negotiating officers are alert to the trends in commercial property, severe losses are in prospect for many of our investing clients."

Speaking on problems incidental to lending on commercial properties, **H. L. Hodell** of Cincinnati, vice president of the Union Central Life Insurance Company, warned that one of their greatest considerations must be the possible future cost of municipal government. Hodell said it was the consensus of opinion by mayors of principal cities that their greatest problem now is raising enough money to run their communities.

"If there is an increased cost of municipal government, then that increase must be met by an increase in revenue; and if the cities follow time-honored custom, the increased cost will be met through an increase in the tax on real estate. With sales values of income properties going higher and higher, it seems inevitable that the value of these properties for assessment purposes will likewise be increased."

In lending on commercial properties in cities today, Hodell said great importance must be given to the trend toward decentralization.

"We know that the trend toward decentralization was stopped by the war but we do not know what effect it would have had on values in our retail areas if it had continued or what effect it would have on values if the trend gains new impetus with the resumption of new building."

He mentioned that the largest mail order and merchandizing companies "are definitely committed to locations away from our 100 per cent retail areas, with plenty of parking. Downtown merchants have recognized the fact that traffic conditions and parking facilities have much to do with the trend toward decentralization."

Mortgage bankers had better be on their guard in lending money on buildings which can be used for only one purpose, **G. D. Brooks**, manager of the investment department of the National Life and Accident Insurance Company of Nashville, said in his address.

"There can be exceptions to all rules, but 'beware of war babies' is one good rule to follow. Many new industrial companies came into being during the war and were able to operate on a highly profitable basis, due, in some instances, to the fact that they had a 'blank check' from the government. These are highly desirous of remaining in business and some of them are attempting to break into fields that are highly competitive and dominated by large and financially-strong corporations of many years experience. While the financial statements of some of these 'war babies' may still be strong, the chance of success in their particular fields may not be very good. Some fields are becoming very crowded at the present time and it is almost inevitable that the ratio of failures will be very high."

LLOYD N. WHEELER

With profound sorrow we announce the death of Lloyd N. Wheeler, manager of the mortgage loan department of Homer Warren & Company, Detroit. Mr. Wheeler died October 5. He was one of the outstanding mortgage men of Detroit and always took a keen interest in MBA activities. To his family, friends and business associates go our deepest sympathy.

FRANK C. RATHJE

(*Continued from page* 13)

"There was a time when the primary consideration in establishing the amount, which could be soundly loaned on a real estate mortgage, was the prospective value of the underlying security, in case of default. In the last 15 years, there has been definite shift from that viewpoint. A prior consideration has asserted itself, and rightly so. It is recognized that payments on mortgages must be made from the earnings of the borrower.

"In the cross current of forces that will have their impact upon us in the future, we will be subjected to many pressures which may cause us to deviate from sound principles of mortgage banking. In no field is private enterprise being tested more vigorously than in the field of housing and mortgage finance. Leadership of a high order is required."

A Sunday in Cincinnati

When our FHA approved mortgagees get together to see how they might get the automatic loan guarantee and consider other current FHA ideas

SHOULD FHA approved mortgages have the right of automatic guarantee for their GI loans just as banks and savings and loans now have? MBA members think so and voted accordingly at the closing general session of our 33rd annual convention. The voting ran roughly 35-to-1 in favor.

If the Convention could be said to have a central "theme," the automatic guarantee was it. Probably no other single subject occupied so much discussion time as it did, particularly at the Sunday afternoon session the day before the meeting opened. These are program notes of that meeting as your editor saw it.

The conductor was William G. Nelson, chairman of our FHA committee and vice president of the Merchants National Bank in Chicago. A. H. Cadwallader, Jr. of San Antonio was the opening speaker.

He told of the events that had transpired up until now and the efforts made to get approved mortgagees eligible for this privilege. When the matter first came up, VA asked FHA what its supervision of mortgagees consisted of and, as a result, Mr. Odom of VA ruled that it was in no way comparable to that given banks, savings and loans and other state or federally supervised institutions.

"We were amazed," said Mr. Cadwallader "because we attached the greatest importance to this guarantee. We feared that builders would go the B and L's, saying 'you boys are too slow'."

He then related how a group of Texas members, greatly exercised because approved mortgagees were denied the guarantee, met several times. Later came various Washington conferences with members of MBA's Washington and FHA committees. He said that the upshot was about as follows—Pavesich said "no," Odom said "no" and Commissioner Foley said "no."

That left only legislation, said Cadwallader and bills to accomplish the desired objective were introduced by Congressman Paul Kilday of Texas and Senator Edwin Johnson of Colorado. During the closing session of congress, with the log-jam of other legislation, no action was taken.

The importance of the automatic guarantee does not now appear quite so great as it did originally, Cadwallader said, but may very well be later.

"I think we have a most important thing to 'sell' the VA, especially if the B and L's absorb loans up to their limit later on." He admitted that any legislation in the next congress would have to have the VA's blessing which up to now it has refused to give.

A. CADWALLADER

Following Cadwallader, Commissioner Raymond Foley spoke and, in his opening statement, said he agreed fully with everything Mr. Cadwallader had said — except in one important particular: namely, that he (Foley) was against the guarantee for approved mortgagees. He clarified his position in this way: FHA doesn't object but said that it was asked for the facts about its supervision of mortgagees and, in all fairness, had to make a full and honest statement as to what it consists of.

It is not comparable to that given banks by federal authorities, he said, and could not be construed as such.

"When I said 'no,' I didn't mean I was against it but that I had no authority. FHA has no authority to supervise."

Samuel E. Neel, MBA Washington counsel, spoke briefly on the measure and said there was nothing to do until the next congress convenes.

"The going will be tough unless we can change the VA attitude," he warned.

R. D. Buck Walton of Houston, addressing the meeting, reiterated the importance of securing the guarantee. Allyn R. Cline of Houston declared that the real importance of securing it for FHA mortgagees lies in the future and that "in a matter of weeks or months, these G. I. loans will be moving down the line as simply as letters are mailed." He beseeched FHA's assistance and added "We need FHA and FHA needs us."

On a motion by George H. Dovenmuehle of Chicago, it was voted to ask MBA to exert every effort to secure the guarantee—which was later incorporated in a resolution passed by the full convention.

Mr. Nelson then introduced the question of the refinancing certificate and asked what we can do "to put some teeth into it. It seems of little value now." Mr. Foley admittedly said it was a problem and mentioned that one Detroit lender contends it is unconstitutional.

"Unless there is evidence of fraud or there is an incorrect statement of fact, FHA is without power to go behind the certificate," he said and added, "if we did, we would be longer in our processing time than we are now.

"We have studied the law and can't find any way to make it work better. The law is not at all specific. It is bad now because we have few loans and so much money," he said and concluded "I have no solution."

Next matter brought to the meeting was the idea of 100 per cent FHA loans at 4 per cent which would mean financing through FHA in about the same way as under 501 of the Veterans Act now.

The story was told how it was originally planned to add it to the Patman bill, how Senator Barkeley was seen and how he in turn was to see Wilson Wyatt, but that the contact was apparently never made, because of the rush of business in the last days of congress.

Foley said he was for it then and "I

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Expert Says Farm Real Estate Prices Will Likely Continue up in 1946 and into 1947

ONE of the most significant addresses of the whole convention was one which only a handful of members heard. It was that **Dr. E. L. Butz,** head of the agricultural economics department of Purdue University. Dr. Butz has directed MBA's Farm Mortgage Seminar for the past two years and has been largely responsible for its success.

At the Convention he addressed a meeting of farm lenders. Everyone who heard it declared that it represented a really important public statement at this time. **L. E. Mahan** of St. Louis, past president of the Association, declared it was a tragic circumstance that the entire Convention did not get to hear it.

The general level of prices in the United States means a rather substantial inflationary increase for another year or so, to be followed by a decline which will carry prices back to about 1944 or 1945 levels—not pre-war, Dr. Butz said.

This price reaction will come when the volume of civilian production begins to catch up with effective civilian demand and when the flow of relief supplies to Europe begins to subside.

If we act intelligently when the price reaction occurs, he stated, the period predicted above should be followed by a long spell of relative prosperity. The price level will remain relatively high (1945 level) for at least a decade—perhaps longer. This will be a period of generally good business and satisfactory rewards for efficient management.

Dr. Butz predicted that the net income of farmers in 1946 will probably be the highest on record, in spite of a rise in operating costs, but that 1947 net farm income will be somewhat lower because prices of non-agricultural commodities may be expected to rise relative to agricultural product prices during the year ahead.

He predicted that the immediate postwar inflationary period in which we now are will probably be longer following World War II than it was following World War I. Although 1947 will probably see some narrowing of the unit profits margin in agriculture because of increased costs, it now appears that a policy of large farm production in 1947 will continue to be profitable. However this is a time when caution should be exercised with regard to long-time financial commitments. As the volume of industrial production rises and prices rise, a point will be reached when a realignment of prices will bring a situation less favorable to agriculture. This could come in late 1947.

DR. EARL BUTZ

When the current inflationary period ends, probably in the latter part of 1947, agricultural prices will probably decline to their level of a couple of years ago, not their pre-war level. If our business and political leaders act intelligently at that time, we should experience a long period of relative prosperity.

The price level will remain relatively high, perhaps at about the 1945 level, for a decade or more as the United States "catches up" in satisfying the accumulated demands for machinery, buildings, equipment, furniture, automobiles and other such items which could not be replaced during the war. This should be a period of relatively full employment and strong purchasing power for the products of American farms. This will be particularly true for those farm products with an elastic demand, such as livestock, poultry, dairy products, fruits and some vegetables. This period will compare roughly with the years from 1922 to 1929. Farm prices probably will fluctuate somewhat below the parity level.

"The level of farm real estate values in the United States will probably continue to work upward through the remainder of 1946 and well into 1947. They may reach their peak in mid 1947 or late 1947. It is likely that real estate values will recede from the peak much more slowly than they did in 1920, principally because of the low level of mortgage indebtedness at the present time and the prospect of much fewer distressed farm sales following 1920. Moreover, a somewhat higher price level during the decade ahead and a lower rate of interest than after 1920 will work together to maintain higher real estate values than prevailed in the decade before the recent war.

"It now appears that during the decade ahead, although certain national indexes may show agriculture at a comparative disadvantage with industry, farming will be profitable on well organized, economic sized units which are not burdened with excessive debt."

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support it but we can't lobby for it."

Regarding building costs, Commissioner Foley said: "Costs are too high and if they continue to rise, the private home building industry may be confronted with most serious problems.

"We hope prices will stabilize before not too long when materials and equipment become more available," he said but added that "of course we don't want to stop building now just to cut costs."

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that is likely to be true in almost any city where we hold meetings in the next several years. The hotel situation, as everyone well knows, hasn't eased any; in fact, has gotten considerably worse if anything. That is why one of Secretary George H. Patterson's biggest problems at the moment in arranging the 1947 program of meetings so as to best accommodate the entire membership.

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Campbell and **J. A. Gray** of Montreal and **G. C. Elliott** of Winnipeg. **Past President L. E. Mahan** of St. Louis, MBA's representative on the U. S. Chamber's Construction and Civic Development Committee, will attend the next meeting of this group November 21.

Photographs on pages 11 and 12 are from **Real Estate News** of Chicago and were taken by **Henry J. Kracalik,** advertising director, who attended the Convention and did a masterful job of covering it in his October 11th issue.